



JAAN HARGI, NOTARY IN AND FOR TALLINN

No. \_\_\_\_\_ of register of notarial acts

### DIVISION PLAN OF AS KLEMENTI

**This notarial deed has been drawn up and certified on fifteenth May two thousand and six (15.05.2006) by Jaan Hargi, notary in and for Tallinn, whose office is located at Roosikrantsi 2, Tallinn, and the party to this notarial deed is**

**AS KLEMENTI**, registry code: 10175491, address: 33 Akadeemia tee, 12618 Tallinn, represented by PEETER LARIN, member of the Management Board, personal identification code: 37104200335, residence in Tallinn, who has been identified on the basis of Estonian ID card no A0287543 and MARIANNE PAAS, member of the Management Board, personal identification code 46403315227, who has been identified on the basis of Estonian ID card no A0212099 (pursuant to § 31 of the Notaries Act the above data concerning the name, address and registry code of the legal person and the person with right of representation constitutes a certificate issued by the person who certifies the notarial deed; the person who certifies the notarial deed verified the register data on the day of certifying this notarial deed).

The representatives of AS Klementi confirmed that:

They have all rights and valid authority to sign this division plan;

The assets of AS Klementi are encumbered with a commercial pledge in favour of AS Hansapank.

The Management Board of AS Klementi has prepared the following division plan of AS Klementi:

#### 1. DIVISION

- 1.1. The aim of the division of AS Klementi is to transfer the production unit to a separate company to ensure greater transparency and enhance the efficiency of business operation.
- 1.2. The division of AS Klementi will be effected by separation by means of founding a new company (hereinafter the **New Company**). Upon separation AS Klementi shall transfer part of its assets to the New Company.
- 1.3. AS Klementi shall be the sole shareholder of the New Company. The shares of the New Company shall not be distributed to the shareholders of AS Klementi and the shares of AS Klementi shall not be exchanged. The New Company shall not grant any other rights to the shareholders of AS Klementi.
- 1.4. The shares of the New Company shall grant the right to a share of profit of the New Company from the moment the New Company is entered in the commercial register. The New Company is expected to be entered in the commercial register in August 2006.
- 1.5. Upon division the members of the Supervisory Board and the Management Board of AS Klementi shall not be granted any benefits. The service terms and conditions of the

members of the Supervisory Board and the Management Board of the New Company, incl. the granted benefits, shall be determined in the course of negotiations.

- 1.6. The list of assets transferred to the New Company (except for employment contracts) and the distribution of liabilities included in the assets between AS Klementi and the New Company is set forth in Appendix 1.

## **2. ARTICLES OF ASSOCIATION OF THE NEW COMPANY AND OTHER DATA**

- 2.1. The draft Articles of Association of the New Company are appended to this Division Plan (Appendix 2).
- 2.2. Upon division the business name of AS Klementi will change. The new business name of AS Klementi will be decided at the general meeting of AS Klementi shareholders. The business name of the New Company shall be AS Klementi.
- 2.3. The address of the New Company shall be Akadeemia tee 33, 12618 Tallinn.
- 2.4. The areas of activity of the New Company shall be:
  - retail and wholesale trade of manufactured goods;
  - development of sewn and knitted products, organising the manufacture, manufacturing and selling the products;
  - consultation relating to the main area of activity.
- 2.5. Upon foundation the share capital of the New Company shall be EEK 4,600,000 (four million six hundred thousand) which is divided into 460,000 shares with a nominal value of EEK 10 (ten) each.
- 2.6. The member of the Management Board of the New Company shall be Maia-Leena Varjun, personal identification code 47001310222, residence in Tallinn.
- 2.7. The members of the Supervisory Board of the New Company shall be:
  - Peeter Larin, personal identification code 37104200335, residence in Tallinn;
  - Marianne Paas, personal identification code 46403315227, residence in Tallinn;
  - Piret Peet, personal identification code 473102603365, residence in Tallinn.
- 2.8. The auditor of the New Company shall be:

AS PricewaterhouseCoopers, registry code 10142876, entered as an auditor company in the list of auditors.
- 2.9. The financial year of the New Company shall begin on 01 January and end on 31 December.
- 2.10. Payment for the shares of the New Company shall be by the assets transferred to the New Company pursuant to this Division Plan. The Management Board of the New Company shall determine by its resolution the value of the non-monetary contribution and the auditor shall audit the valuation.
- 2.11. AS Klementi shall pay the division costs. The projected costs of division shall be 200 000 EEK.

### **3. EMPLOYEES OF AS KLEMENTI**

- 3.1. The division of AS Klementi does not have any effect on the employment contracts entered into between AS Klementi and its employees. The employment contracts directly connected with the production unit which is transferred to the New Company shall transfer to the New Company.
- 3.2. AS Klementi shall inform its employees of the division in accordance with the provisions of the Employment Contracts Act.

### **4. FINAL PROVISIONS**

- 4.1. This notarial deed has been prepared and signed in one original to be retained in the notary's office. On the day of attesting to this division plan one first transcript shall be issued to a representative of AS Klementi.

### **5. EXPLANATIONS OF THE NOTARY**

- 5.1. The notary has explained to the parties the contents § 434-461 of the commercial code, including the following:
  - 5.1.1. According to § 440 of the commercial code the rights and obligations arise from the division agreement when the division proposal is approved by all entities participating in the division.
  - 5.1.2. A division resolution must be in writing.
  - 5.1.3. According to § 442 (1) of the commercial code the management boards or the managing shareholders of the entities participating in the division send to the known creditors of the entities who were against the transaction before the adoption of the division resolution a written notice of the adoption of the division resolution within 15 days.
  - 5.1.4. According to § 449 (5) and (6) of the commercial code, the management board of the entity that is being divided or its managing shareholders present an application for the registration of the new entities to the register of the domicile of the entity that is being divided. The register administration of the domicile of each new entity informs that the registrar of the commercial register of the seat of each new company shall notify the registrar of the seat of the company being divided of entry of the new company in the commercial register. Upon receipt of notification concerning all the new companies, the registrar of the commercial register of the seat of the company being divided shall enter the division in the commercial register, shall notify the registrar of the seat of each new company of the entry and shall send an extract from the commercial register to them. Upon receipt of notification, the registrar shall make a notation in the commercial register regarding when the division was entered in the commercial register of the seat of the company being divided.
  - 5.1.5. The registrar may register the division only when the final balance sheet of the entity that is being divided is drawn up as of the date not earlier than 8 months before the submission of the application to the register. The compiling and approval of the final balance sheet is subject to the same provisions as the compiling and approval of the annual accounts. The final balance sheet is compiled as of the day before the date of the division balance sheet.
  - 5.1.6. The members of the management board or the managing shareholders must confirm in the application that the division resolution has not been contested or the respective application was rejected.
  - 5.1.7. The notary has brought to the attention of the participants that the shares of a public limited company must be registered in the Estonian Central Register of Securities. The representatives of the participant confirmed that the explanation of the notary is understandable and that they will present with the rest of the foundation documents to the

commercial register also the required notice of the registration of the shares in the Estonian Central Register of Securities.

The annexes to this notarial deed are:

Appendix 1: List of assets to be transferred to the New Company (except for the employment contracts) and division of liabilities included in the assets between AS Klementi and the New Company.

Appendix 2: Draft Articles of Association of the New Company.

AS Klementi does not wish that the notary presents this division plan to the relevant registers. The notary has read out this notarial deed to the representatives of AS Klementi, the notarial deed has been presented to them for review, it has thereafter been approved by the representatives of AS Klementi and signed in handwriting in the presence of the notary.

The transaction value is EEK 4 600 000.

The notary fee for certification of the transaction is EEK 7 010.

The notary fee for issuing first transcripts is EEK 30.

The notary fee for issuing a register extract is EEK 125.

In total EEK 7065 (VAT 1271.70), in total EEK 8336.70. (Subsection 3 (1), 18 (3), 22, subsection 23 (1), 31 item 18, 35 of the Notary Fees Act.).

\_\_\_\_\_  
First name and surname (in handwriting)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
First name and surname (in handwriting)

\_\_\_\_\_  
Signature

**APPENDIX 1**

**LIST OF ASSETS TO BE TRANSFERRED TO THE NEW COMPANY  
AND DIVISION OF LIABILITIES**

The value of assets to be transferred is as of 31 March 2006 and may change by the moment of transfer.

	<b>Description of assets/liabilities which are transferred</b>	<b>Value of assets/liabilities which are transferred, as of 31 March 2006, EEK th</b>
<b>Total assets (total of 1+2+3+4)</b>		<b>15,446</b>
1. Customer receivables	Accounts receivable regarding subcontracting customers	1,581
2. Other receivables	Estimated receivables regarding services	1,151
3. Total inventories		8,024
	<i>incl. Basic and auxiliary materials</i>	5,794
	<i>Work in progress</i>	2,222
	<i>Prepayments for materials</i>	8
4. Total tangible assets		4,690
	<i>incl. Machinery and equipment for sewing</i>	2,179
	<i>Machinery and equipment for preparation and cutting</i>	1,367
	<i>Machinery and equipment connected with warehousing and packaging</i>	634
	<i>Other production machinery and equipment</i>	445
	<i>Office equipment and computers</i>	65
<b>Total liabilities (total of 5+6+7+8)</b>		<b>9,800</b>
5. Financial lease	Financial lease of production equipment	418
6. Supplier payables	For materials	4,742
7. Taxes payable and payables to employees	Wages and taxes calculated on the wages of workers in production departments	4,640

**Financial lease contracts regarding production equipment to be transferred:**

<b>Lessor</b>	<b>Contract No.</b>	<b>Subject</b>	<b>Outstanding principal as of 31.03.2006</b>	<b>Contract termination date</b>
Sampo Liising	20011944	Lectra textile cutting machine	346,467.30	15.03.2007
Tallinna Soojus	E 67-99	Heat adjusting equipment	37,322.88	5.06.2007
		<b>Total</b>	<b>383 790,18</b>	

**AS KLEMENTI  
ARTICLES OF ASSOCIATION**

**1. BUSINESS NAME, SEAT**

1.1.The business name of the public limited company is AS KLEMENTI (hereinafter the "Company").

1.2.The seat of the Company is Tallinn, the Republic of Estonia.

**2. AREAS OF ACTIVITY OF COMPANY**

2.1. The areas of activity of the Company are:

- Retail and wholesale trade of manufactured goods;
- Development of sewn and knitted products, organising the manufacture, manufacturing and selling the products;
- Consultation relating to the main area of activity.

**3. FINANCIAL YEAR**

3.1. The financial year of the Company is a calendar year.

**4. SHARE CAPITAL AND SHARES**

4.1.The minimum amount share capital of the Company is EEK 4,000,000 (four million Estonian kroons) and the maximum share capital is EEK 16,000,000 (sixteen million Estonian kroons).

4.2.The nominal value of a share is EEK 10 (ten Estonian kroons) and each share shall grant one vote at the general meeting.

4.3.The Company shall issue only registered shares. The shares shall be of one class and grant the shareholders the same rights.

4.4.The share capital shall be formed of monetary and non-monetary contributions. Monetary contributions shall be made to the bank account of the Company. The value of a non-monetary contribution shall be determined by a resolution of the management board, and an auditor shall audit the valuation and present a written opinion regarding the value of the non-monetary contribution to the management board within one month after the management board has adopted its resolution. If there are generally recognised experts for valuation of the thing, the experts shall value the thing which constitutes the non-monetary contribution.

4.5.To cover a possible loss, the Company shall form a legal reserve that shall amount to 1/10 (one-tenth) of the share capital. At least 1/20 (one-twentieth) of the net profits of the Company shall be transferred to the legal reserve every year until reaching the minimum legal reserve amount. Also other transfers can be made to the legal reserve by a resolution of the General Meeting. The legal reserve can also be used for increasing the share capital.

4.6.The Company is entitled to issue convertible debentures.

## **5 RIGHTS OF SHAREHOLDERS**

- 5.1 A share grants to a shareholder the right to participate in the management of the Company and in the distribution of profits as well as participate in the distribution of the assets of the Company remaining upon dissolution of the Company according to the total amount of the nominal values of the shares held by the shareholder.
- 5.2 Upon an increase of the share capital of the Company, shareholders will have the preemptive right to acquire new shares according to the number of shares held by them.

## **6 TRANSFER AND ENCUMBRANCE OF SHARES**

- 6.1 A shareholder will be entitled to freely transfer his or her shares to another shareholder. Other shareholders shall have the right of pre-emption upon transfer of shares to third persons. A shareholder shall inform the management board of the Company about entering into an agreement on the sale of shares with a third person, and the management board shall immediately inform the other shareholders about it. A shareholder who wishes to exercise his/her right of pre-emption shall provide the management board with a written notice within one month after the submission of the agreement on the transfer of shares. Regarding all other aspects, the right of pre-emption and the exercising thereof shall be governed by the provisions regulating the right of pre-emption in the Law of Obligations Act. The management board shall apply for the entry of a notation regarding the right of pre-emption in the Estonian Central Register of Securities.
- 6.2 Shares can be encumbered only with the prior written consent of all the remaining shareholders.

## **7 GENERAL MEETING**

- 7.1 An annual general meeting shall be convened by the management board not later than within six months after the end of a financial year.
- 7.2 An extraordinary general meeting shall be convened by the management board in the cases prescribed by law.
- 7.3 The shareholders shall be notified about the holding of an annual general meeting at least three weeks in advance. The shareholders shall be notified about the holding of an extraordinary general meeting at least one week in advance. The agenda of the general meeting shall be appended to the notice of the meeting.
- 7.4 A general meeting will have a quorum if more than one-half of the votes determined by shares are represented at the meeting. If the required number of votes is not represented at the meeting, the management board shall convene a new meeting with the same agenda within three weeks, but not earlier than after seven days. The new general meeting shall have a quorum irrespective of the number of votes represented at the meeting.
- 7.5 A resolution of the general meeting shall be passed if more than one-half of the votes represented at the general meeting are given in support of such resolution, unless a requirement for a larger majority of votes is prescribed by law.

## **8 SUPERVISORY BOARD**

- 8.1 The supervisory board shall plan the activities of the Company and organise the management of the Company, and exercise supervision over the activities of the management board.
- 8.2 The consent of the supervisory board shall be required by the management board for conclusion of transactions that are beyond the everyday economic activities of the Company, primarily for conclusion of transactions that entail:
  - 8.2.1 Acquisition or termination of holding in other companies;
  - 8.2.2 Acquisition or transfer of an enterprise or winding up the activities thereof;
  - 8.2.3 Acquisition, transfer and encumbrance of immovables and registered movables;
  - 8.2.4 Foundation and closure of foreign branches;
  - 8.2.5 Making of investments exceeding the amount prescribed in the annual budget for investments in the given financial year;
  - 8.2.6 Assumption of loans and debt obligations;
  - 8.2.7 Granting of loans and guarantee of debt obligations;
  - 8.2.8 Any other transactions that may materially affect the value of the Company.
- 8.3 The supervisory board shall consist of three to seven members who shall be elected by the general meeting of shareholders for 5 (five) years. The members of the supervisory board shall elect a chairman from among themselves. The chairman of the supervisory board shall organise the work of the supervisory board.
- 8.4 Meetings of the supervisory board shall be held when necessary but not less frequently than once in every three months. A meeting of the supervisory board shall be convened when it is requested by a member of the supervisory board, by the management board, auditor or the shareholders whose shares represent at least 1/10 of the share capital. At least 10 (ten) days' advance notice shall be given about a meeting and the agenda thereof.
- 8.5 A meeting of the supervisory board shall be convened and chaired by the chairman of the supervisory board or by a member of the supervisory board substituting him/her.
- 8.6 A meeting of the supervisory board will have a quorum if more than one-half of the members of the supervisory board participate in the meeting.
- 8.7 A resolution of the supervisory board shall be passed if more than one-half of the members of the supervisory board have voted in support thereof.
- 8.8 Minutes shall be taken of the meetings of the supervisory board. The minutes shall be signed by all the members of the supervisory board who participated in the meeting and by the secretary at the minutes.
- 8.9 The supervisory board will be entitled to pass resolutions without convening a meeting of the supervisory board, if all the members of the supervisory board agree on it. The procedure for passing of resolutions is as follows:
  - 8.9.1 The chairman of the supervisory board shall send a draft of the resolution to all the members of the supervisory board and specify a term within which a member of the supervisory board shall submit his/her written position regarding the resolution. Should the member of the supervisory board fail to give notice whether he/she is in favour of or



opposed to the resolution within such term, it shall be deemed that he or she votes against the resolution.

8.9.2 A resolution shall be passed if more than one-half of the votes of the members of the supervisory board are given in favour thereof.

8.9.3 The chairman of the supervisory board shall immediately inform the members of the supervisory board about the results of voting in writing.

## **9 MANAGEMENT BOARD**

9.1 The management board is a managing body of the Company which shall represent and manage the Company. The management board shall organise the accounting of the Company.

9.2 The management board shall consist of one to three members.

9.3 The members of the management board shall be elected and removed by the supervisory board which shall also decide on the remuneration of the members of the management board. The members of the management board shall be elected for three years.

9.4 In management, the management board shall adhere to the lawful orders of the supervisory board.

9.5 In all legal acts, the Company can be represented by every member of the management board alone, unless otherwise set forth by a resolution of the supervisory board.

9.6 The management board shall provide the council with an overview of the economic activities and economic position of the Company at least once in every four months, and immediately inform the supervisory board about material deterioration of the economic position of the Company as well as about other material circumstances related to the economic activities of the Company.

## **10 REPORTS**

10.1 The management board shall prepare the financial statements and the management report according to the procedure and within the due term after the end of a financial year as set forth by law, and submit them to the general meeting for its approval.

10.2 The financial statements and the management report shall be submitted to the auditor in such manner that the shareholders would be able to approve the audited statements before the lapse of the term set forth by law.

10.3 The financial statements shall be prepared in accordance with the Accounting Act and generally accepted accounting principles.

## **11 DISTRIBUTION OF PROFIT**

11.1 A share of the net profit (dividend) shall be paid to a shareholder according to the nominal value of his/her shares.

11.2 The own shares of the Company shall not be taken into account upon distribution of profit.

- 11.3 A resolution on the distribution of profit shall be passed by the general meeting on the basis of the approved financial statements.

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PEETER LARIN

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MARIANNE PAAS